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C O N F I D E N T I A L SECTION 01 OF 02 NICOSIA 000979

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SUBJECT: FM LILLIKAS: CYPRUS "NOT BLUFFING" ON TURKEY-EU

REF: NICOSIA 977

Classified By: Ambassador Ronald L. Schlicher, reasons 1.4 (b) and (d).

11. (C) SUMMARY. In their first meeting since the June 8 Cyprus government reshuffle, Ambassador Schlicher and newly-appointed FM Lillikas stressed the importance of continued U.S.-Cyprus cooperation on counterterrorism and other important issues on the Transatlantic Agenda. Lillikas warned that the Cypriots (and other EU members) were no longer willing to overlook Turkey's continued refusal to live up to its obligations to the European Union. Cyprus would not hesitate to call a halt to Turkey's accession process if Ankara did not "help us help it" by, for example, accepting the ROC's olive-branch proposal on Famagusta/Varosha/trade. The U.S. should weigh in with Turkey now to stave off an accession crisis. Ambassador Schlicher stressed that, although Turkey must live up to its obligations to the EU, a derailed accession process was in nobody's interest and would be a serious blow to prospects for a Cyprus settlement. Progress on the UN track was key, and creative, flexible thinking from all sides was needed. Lillikas expressed frustration over the lack of progress on technical committees, however, and suggested that the upcoming Gambari visit had been "poorly prepared" and likely would not result in any progress toward settlement. END SUMMARY.

ACCENTUATE THE POSITIVE

12. (C) On June 28, Ambassador Schlicher met George Lillikas for the first time since his June 8 appointment as Cyprus Foreign Minister. (COMMENT: Lillikas is a long-standing Embassy contact thanks to his previous service as Commerce Minister and Government Spokesman, as well as his history in politics. The Ambassador met him several times before his most recent appointment. END COMMENT.) The Ambassador reiterated the Secretary's congratulations on Lillikas's appointment, and underlined the U.S. interest in working toward reunification of the island, and continued cooperation with Cyprus in areas such as counterterrorism, combating money laundering, and other topics on the Transatlantic Agenda. Lillikas expressed his determination to continue working with us on these issues.

ROC EU VETO THREAT "NOT A BLUFF"

13. (C) Lillikas sounded a warning over the state of Turkey's EU accession process, and asked that the United States help avoid a crisis by convincing Ankara to meet its obligations to the EU. While Cyprus and the rest of the world had an interest in Turkey joining the European family, this could not be done on Turkish terms -- Turkey had to comply with European norms of governance and international behavior. Lillikas hoped that the Turks would realize that they, too, had a greater long-term interest in joining the EU than in "continuing to occupy this island." Turkey could not do both.

14. (C) Lillikas stressed that the ROC could no longer overlook Turkey's failure to carry out its obligations with regard to Cyprus. The GOC had agreed to allow the accession process to move forward three times so far (in December 2004, October 2005, and most recently in June 2006 talks over the science and research chapter of the acquis). The time was "now" for Turkey to make a positive step, Lillikas said, The pressure of "public opinion" was mounting on President Papadopoulos and the ROC would not back down again. "Believe me," he stressed, "this is not a bluff."

15. (C) Unfortunately, continued Lillikas, Turkey had an "anachronistic" and "nationalistic" attitude toward Cyprus, the Kurdish question, and other matters of concern to the European Union -- and Cyprus was not the only member state to be increasingly frustrated with Turkey's failure to make progress on these matters. The Austrians, as well as the Finns and Germans who would assume the next two EU presidencies, were exploring ways to move forward on the ROC-inspired trade/Famagusta/Varosha proposal as a means to help break the deadlock. But Turkey needed to "help us help it" by responding positively to this idea.

16. (C) The Ambassador acknowledged that Turkey did indeed have EU obligations it must meet, as the United States had publicly stated. At the same time, it was important that the EU -- especially Cyprus -- help find creative, "win-win" formulae that would be needed to keep Turkish accession on track. The Ambassador stressed that derailment of Turkey's EU accession process would not only set back the cause of Turkish reform, but would also likely put an end to hopes for a Cyprus settlement in the foreseeable future. Progress on the UN track, the Ambassador noted, would be an important

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part of this strategy. Everyone knew that Cyprus would seek to advance its interest in Turkey's accession process, but overplaying its cards would result in a total loss of leverage, or encourage those EU members who favored less-than-full membership for Turkey to "hide behind Cyprus" in a way that does not serve the interests of Cyprus, Turkey, or the U.S.

LILLIKAS PESSIMISTIC ON UN TRACK

17. (C) Lillikas was pessimistic on the prospects for UN-brokered technical talks and for U/SYG Gambari's looming visit. In a mirror image of the Turkish Cypriot version of events, he blamed the current stalemate on Talat's insistence that the committees deal only with day-to-day issues -- rather than tackling substantive questions that would "lay the groundwork for reunification" as the Greek Cypriot side wanted. He suggested, for example, that the economic committee to which the two sides had agreed in principle, should work to establish "common numbers" and "agreed frames of reference" on things like the number of settlers in the north -- without which talks over substance that both sides claim to want could not go anywhere.

18. (C) Lillikas postulated that the "inflexible" Turkish Cypriot position had been staked out under pressure from Ankara, and that Turkey's real goal was to use the technical talks to cement separatism by "helping us learn to live separately, not together." Lillikas dismissed the idea that Talat could make any concessions on his own in this forum (although, he acknowledged, Turkish Cypriot leader "probably wants to"). Therefore, the "time was now" for the U.S. to use its influence in Ankara to convince the GOT to adopt a more flexible stance that would allow the committees to do meaningful work.

19. (C) The Ambassador stressed that both sides needed to show flexibility to kick-start the technical talks process, preferably before the Gambari visit. Failure to make

progress on the technical talks would send a strong signal to the UN that a renewed settlement effort was unlikely to succeed in the current conditions. He encouraged both sides to respond favorably to UN efforts to arrange a meeting between the two leaders and Gambari when the latter visited the island from July 6-8. This would show the UN that there were "signs of life" in the settlement process. The Ambassador reminded Lillikas of the USG's belief that every day without negotiations for a solution in Cyprus was a "missed opportunity." He urged the Greek Cypriot leadership to take advantage of the Gambari visit to ensure progress toward this goal.

¶10. (C) While not ruling out a three-way meeting, Lillikas suggested there was little point in such an exercise if there had been no groundwork laid for discussion. He also suggested that Gambari's visit had been "poorly prepared," since there was no deal for him to seal or progress he could announce. Lillikas stressed, however, that the Greek Cypriots would maintain an open and constructive stance despite Turkey's foot-dragging since they had an abiding interest in seeing the end of the division of their country.

COMMENT

¶11. (C) Papadopoulos is a masterful manipulator of the domestic political agenda. It is unlikely that he feels boxed in by public opinion in the way Lillikas suggests. Despite his protestations to the contrary, Lillikas's warning about GOC readiness to block Turkish accession may indeed be a bluff. The threat of a veto is useless unless we outsiders (and through us, Turkey) can be convinced that Papadopoulos will actually pull the trigger. Nonetheless, Turkey's dogged insistence that it has done all it should with regard to Cyprus has begun to wear thin with the EU. Ankara's support for the Annan Plan over two years ago is a depreciated asset, while Turkish obstreperousness over technical committees, EU aid and Green Line trade (reftel) has bolstered Papadopoulos's efforts to convince other EU members that the Turkish Cypriots and Turkey are the main obstacles to progress on Cyprus. It seems unlikely Papadopoulos will be as isolated from his EU partners this fall as he was in October 2005 or December 2004. With the safety of numbers, he may well hold to a firmer line this time around. This will continue to be the case if Turkey continues to block Talat's flexibility with the UN, and gives EU advocates nothing to work with as the review process approaches. END COMMENT.
SCHLICHER